LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 29, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB799** by Jackson (Relating to the environmental regulation and remediation of certain dry cleaning facilities; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB799, As Introduced: an impact of $0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *New General Revenue Dedicated*	Probable (Cost) from *New General Revenue Dedicated*	Change in Number of State Employees from FY 2003
2004	$11,225,000	($3,485,718)	10.0
2005	$15,100,000	($8,259,130)	16.0
2006	$15,235,000	($12,472,536)	16.0
2007	$15,370,000	($12,585,361)	16.0
2008	$12,922,500	($12,647,684)	16.0

Fiscal Analysis

The bill would establish a dry cleaning regulation and remediation program at the Texas Commission on Environmental Quality. (TCEQ). The bill would not apply to a governmental entity, including a governmental agency or prison.

The bill would require the TCEQ to adopt rules to administer and enforce the new chapter including the development of performance standards for dry cleaning facilities and criteria for setting priorities for the expenditure of funds from the newly established Dry Cleaning Facility Release Fund as a General Revenue account. In addition, the TCEQ would develop corrective action completion criteria for the remediation of sites.

The bill would establish an advisory committee to assist the commission in ranking contaminated sites and in the development of rules. Dry cleaning facilities operating on or before January 1, 2004 would be required to implement the commission's performance standards by January 2006.

The bill would require each owner of an operating dry cleaning facility to register with the commission and pay $100 per year. In addition, the bill would provide for an environmental surcharge on gross business receipts, set at a rate of 2.5 percent of the gross receipts. A fee of $5 per gallon would be added to the purchase of the dry cleaning solvent perchloroethylene by an owner of a dry cleaning facility. These fees would all be deposited to credit of the Dry Cleaning Facility Release Fund.

The bill would require the TCEQ to investigate and assess releases of dry cleaning solvents and to take corrective actions for the releases. The bill would require the agency to pay the cost of corrective actions taken by the TCEQ or other entities. The bill would require the commission to rank contaminated dry cleaning sites that do not require immediate actions.

The bill would allow the commission to use the new account to pay for partial cleanup of a site for sites with more than one source of contamination, and hold an owner responsible for up to 100 percent of the costs of corrective action.

Reimbursements from the account for corrective actions costs incurred at a single contaminated dry cleaning site on or after September 1, 2003 and before January 1, 2005 could not exceed $20,000 per site. Payment from the account for corrective action costs incurred at a single site on or after January 1, 2005 would be limited to 3 percent of the total amount deposited to the credit of the account in the preceding year. The bill would also restrict payment of costs from the account for corrective action to $5 million for a single contaminated site.

The bill would provide that fee collections would cease on July 1 of a calendar year if the unobligated principal balance of the Dry Cleaning Facility Release Fund exceeded $20 million on April 1 of that year.

Methodology

The Comptroller estimates that the annual registration fee, the 2.5 percent surcharge on gross receipts from dry cleaning facilities and the fee on solvents together would generate $11.2 million in revenues in 2004, increasing to $15.5 million by 2008, to be deposited to the credit of the Dry Cleaning Facility Release Fund. This estimate assumes that collection of the fees would cease on July 1, 2005, since the fund balance would exceed $20 million by April 1, 2005. The revenue estimated for 2008 has therefore been adjusted to $12.9 million, based on only 10 months of collection.

This estimate assumes that the TCEQ will require 10 FTEs in 2004 and 16 FTEs in subsequent years to implement the provisions of the bill. Administrative costs to the agency are estimated at $715,718 in 2004 and $943,321 in subsequent years to carry out the following responsiblities: rulemaking, prosecuting administrative penalties, processing and auditing reimbursements, performing investigations, processing registrations, developing priority lists, and monitoring and managing cleanups.

According to the TCEQ, there are an estimated 2,132 dry cleaning facilities in the state. The TCEQ further estimates that 65% of dry cleaning facilities use perchloroethylene. The bill limits costs for corrective actions to $20,000 for each site. It is estimated that for facilities that use the solvent, 20% will submit remediation applications in 2004, 40% in 2005, 20% in 2006, and 5% in 2007 and 2008. In the first year, an estimated 277 sites will require evaluation for corrective action and such evaluations would require reimbursement costs averaging $10,000 per site. This would result in total corrective action costs of $2.8 million per year. In fiscal year 2005, 555 sites would be evaluated with corrective costs of $5.5 million. Costs for evaluations and corrective actions would begin decreasing in 2006 to $2.8 million, and to only $0.7 million in 2007 and 2008, as expenditures shift to remediation activities.

This estimate assumes that for fiscal year 2004 costs for reimbursements would be prohibited.

Remediation costs would thus begin in 2005. The annual cost of remediation is expected to total $1.8 million in 2005, increasing to $11.0 million by 2008. These estimates are based on a total of 138 sites being remediated over the period 2004-08 at an average cost of $235,000 per site.

Administrative costs to the Comptroller of Public Accounts associated with collecting the new fees are not expected to be significant.

Technology

The TCEQ would need to purchase computers for each of the 16 new FTEs. There could also be some costs incurred in setting up databases for the Dry Cleaner Environmental Response Program. These costs are not expected to be significant. The Comptroller also would incur costs for programming and computer equipment which are not expected to be significant.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality
LBB Staff: JK, CL, JO, JRO, MS, TL, SM